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Retiree Health: Impact of Employer Subsidy on Savings Needs

WASHINGTON—How does an employer subsidy of retiree health insurance premiums affect the amount an individual would need in estimated savings to cover health expenses in retirement?

According to the June 2009 *EBRI Notes*, a 65-year-old man retiring in 2009 with retiree health benefits from a former employer and *premiums subsidized by that former employer* would need \$68,000 if he is comfortable with a 50 percent chance of having enough savings to cover health care expenses in retirement.

But retirees who have employment-based retiree health benefits to supplement Medicare and whose former employer *does not subsidize premium*—an increasingly common situation—would need to save more money than retirees whose premiums are subsidized. Thus, a 65-year-old man *without subsidized premiums* would need \$111,000 in savings if he wanted a 50 percent chance of having enough money to cover health care expenses in retirement.

The chart also shows the amounts needed for a 75 percent and 90 percent chance of having enough savings to cover retiree health care costs under the situations described above. Women would need more because they are likely to live longer.

Savings Needed for Employment-Based Health Premiums, Medicare Part B Premiums, and Out-of-Pocket Costs for Retirement at Age 65 in 2009

	Employer Subsidizes Premiums	No Employer Subsidy of Premiums
Men		
• Median	\$68,000	\$111,000
• 75 th percentile	104,000	168,000
• 90 th percentile	134,000	217,000
Women		
• Median	98,000	159,000
• 75 th percentile	129,000	209,000
• 90 th percentile	164,000	266,000
Married couple		
• Median	165,000	268,000
• 75 th percentile	214,000	346,000
• 90 th percentile	256,000	414,000
Source: June 2009 <i>EBRI Notes</i> . Authors' simulations based on assumptions in the text.		

The full June 2009 *EBRI Notes*, with more details about the savings needed to cover retiree health care costs and the assumptions used at arriving at these amounts, is available at www.ebri.org

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